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R 261035Z FEB 07
FM AMCONSUL LAGOS
TO RUEHC/SECSTATE WASHDC 8556
INFO RUEHUJA/AMEMBASSY ABUJA 8382
RUEHWR/AMEMBASSY WARSAW 0168
RUEHCD/AMCONSUL CIUDAD JUAREZ 0148
RUEHIT/AMCONSUL ISTANBUL 0149
RUEHZK/ECOWAS COLLECTIVE
RUCPDOC/DEPT OF COMMERCE WASHDC
RULSDMK/DEPT OF TRANSPORTATION WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHDC

UNCLAS LAGOS 000147

SIPDIS

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DEPT PLEASE PASS TO USTR
DEPT PLEASE PASS TO JAMES WILLIAMS, OPIC

E.O. 12958: N/A

TAGS: [ECON](#) [PGOV](#) [EINV](#) [PREL](#) [NI](#)

SUBJECT: AES ISSUES SBLC PRE-DRAW NOTICE TO CITIBANK

¶1. (SBU) On February 21, AES Nigeria Barge Ltd. (AES), a U.S. power services company, issued a stand-by letter of credit (SBLC) pre-draw notice to Citibank, the SBLC-issuing bank. According to AES, this measure was necessitated by the Power Holding Company of Nigeria's (PHCN) failure to comply with payment obligations under a Power Purchase Agreement (PPA) in place. Arrears total USD 22 million. Post has spoken with Hassaan Mirza, AES Chief Financial Officer. AES is not requesting any mission intervention with the GON at the moment. AES's experience in the past has been that PHCN satisfied arrearages after the pre-draw notice was issued.

¶2. (SBU) Mirza described the situation as follows:

- On January 31, AES wrote PHCN advising it of AES's intention to issue a pre-draw notice on February 7 for a call on February 15. Following receipt of USD 4.25 million from PHCN on February 7, AES delayed the notice, allowing PHCN to make further payments. In a February meeting, PHCN Coordinator A. Maigida indicated a readiness to make further payments. However, these payments were not forthcoming, and AES issued the pre-draw notice as a result.

- A pre-draw notice for USD 21,950,645 was delivered to Citibank on February 21, with a draw date of March 5. A second pre-draw notice is scheduled to be delivered on March 5 for a draw on March 14 in the amount of USD 5,790,888.

- AES has emphasized to PHCN the need to adhere to the PPA, until such time as a proposed amendment to the PPA becomes effective. This ensures AESNB's ability to meet its obligations under the Credit Facility Agreement.

- AES has issued pre-draw notices on a number of occasions, most recently in September and November 2006. Both times, AESNB received payments sufficient to avoid a draw-down, although payments in both cases were received at the last hour.

- AES regularly speaks with PHCN officials: Mr. Maigida, Coordinator; Engineer Achinaya, Market Operator. AES also briefs Engineer Makoju, Special Adviser to the President on Power. However, AES's contact with the Ministry of Finance, which must approve any payments, has been limited. Dr. Bright Okogu, Special Adviser to the Minister of Finance, has been unresponsive to requests for meetings, according to Mirza.